

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5898-01
Bill No.: HB 2225
Subject: Economic Development; Tax Credits; Saint Louis County
Type: Original
Date: January 25, 2016

Bill Summary: This proposal changes the laws regarding redevelopment of abandoned property to authorize tax credits for the redevelopment of certain former automobile manufacturing plants in St. Louis County.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Department of Economic Development (DED)** assume this legislation amends §447.708, commonly known as the Brownfield Tax Credit Program, by adding that in any county of the first classification that has a charter form of government and that has a population of over nine hundred thousand inhabitants, all demolition costs incurred during the redevelopment of any former automobile manufacturing plant shall be allowable costs eligible for tax credits under §447.700 to §447.718. For purposes of this subsection, "former automobile manufacturing plant" means a redevelopment area that qualifies as an eligible project under §447.700, that consists of at least one hundred acres, and that was used primarily for the manufacture of automobiles but, after 2007, ceased such manufacturing.

Essentially, this proposal is adding a new use for the Brownfield Tax Credit. This program has no statutory annual cap.

The only project that qualifies under this new language is the demolition of the concrete at the Fenton Chrysler plant. If DED receives an estimate of the cost of this demolition it will update this fiscal note. At this point the potential negative impact is unknown.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would expand the tax credit programs authorized in §447.700 to §447.718, RSMo, to cover all demolition costs incurred during the redevelopment of any former automobile manufacturing plant in a specified county.

There is no cap on the tax credits and BAP does not have enough available data to determine the costs associated with the demolition; therefore, this proposal could lower general and total state revenues by an unknown amount. The Department of Economic Development may have an estimate for the total costs that may be incurred for site demolition.

This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

ASSUMPTION (continued)

Officials at the **Department of Natural Resources** and **St. Louis County** each assume no fiscal impact from this proposal to their respective organizations.

Oversight assumes this proposal allows all demolition costs incurred during the redevelopment of any former automobile manufacturing plant to be eligible for tax credits. We are unable to determine the amount it may costs for demolition, therefore, Oversight will show the fiscal impact as \$0 (no company applies for demolition costs) to Unknown Greater than \$100,000.

The Brownfield Remediation Tax Credit provides an incentive to businesses/developers to redevelop property contaminated with hazardous wastes. The requirements for this tax credit are properties that are abandoned or underutilized for at least three years. Projects must create 10 new jobs or retain 25 jobs. Projects can receive a tax credit of up to 100% of eligible remediation costs. This program requires the project to enroll in the Department of Natural Resources (DNR) Voluntary Cleanup Program. Projects receive 75% of the credit upon payment of remediation costs and the remaining 25% upon issuance of DNR's 'clean letter'.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - amending §447.708 to allow demolition to be a qualifying expense under the Brownfield Tax Credit	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)	\$0 to (Unknown Greater than \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Unknown Greater than <u>\$100,000</u>)	\$0 to (Unknown Greater than <u>\$100,000</u>)	\$0 to (Unknown Greater than <u>\$100,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

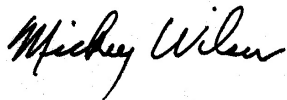
FISCAL DESCRIPTION

This proposal changes the laws regarding redevelopment of abandoned property to authorize tax credits for the redevelopment of certain former automobile manufacturing plants in St. Louis County.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Office of Administration's Division of Budget and Planning
Department of Economic Development
St. Louis County



Mickey Wilson, CPA
Director
January 25, 2016

Ross Strobe
Assistant Director
January 25, 2016